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On file DOC release instructions apply.

CA - Mr. Hope

April 29, 1955.

CA - R. W. Tucker

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**Analyses of Economic Defense Policy.**

**2.(a) Under what circumstances, and in what manner, should a different type or level of control be maintained against any particular portion of the Communist orbit?**

Preliminary to any discussion of this question, which is clearly aimed at the different types and levels of COCOM and CHINCOM controls, it should be pointed out that its wording implies that there is something illogical or inherently sinful in the existence of such differences. It is suggested that if these dual controls (or dual level controls) should be eliminated a consequent problem would arise as to the level of unified control to be decided upon (and agreed upon with our allies) which could be even more thorny than the original question.

Justification for the maintenance of dual controls in the case of Communist China (and North Korea) is outlined as follows:

**1. Political**

a. The American people and a majority of Congress would undoubtedly rebel at public knowledge of a policy permitting a substantial weakening of CHINCOM controls in view of the fresh memories of Korea kept alive by the issue of captive American fliers and civilians on the Chinese mainland and the expansion threats of the Communist Chinese against Formosa and Southeast Asia in general.

b. In spite of "softening" efforts led by British Laborites which strongly affect U.K. policy (coupled with an illusory but diminishing belief among British traders that they can still "do business with Mao"), there exists very probably a large majority of CHINCOM members with a good reserve of sympathy for any efforts to maintain strong economic defense controls over shipments of goods to Communist China. The Turks and Greeks in particular fall under this heading, and the Benelux peoples and French appear to have no real enthusiasm for increased trade with Red China.

c. Knowledge of a relaxation of trade controls permitted or concurred in by the United States would result in serious loss of face and American prestige among Southeast Asian countries. No matter what accusations of imperialism and colonialism may be hurled against the United States by the underdeveloped nations of Asia they unquestionably admire and respect firmness of purpose and action. In particular,

pro-American and Nationalist Chinese groups would be disheartened by

Approved For Release 2002/09/03 : CIA-RDP63-00084A000100020026-6

SECRET

appreciable

appreciable weakening of CHINCOM controls.

## 2. Economic

a. The different levels of economic development and industrial resources between Communist Eastern Europe and Communist China justify a different treatment as to trade controls (i.e., COCOM vs. CHINCOM).

1. Eastern Europe as a bloc has reached a much higher level of industrial development than Communist China (vis. Czechoslovakia, East Germany and U.S.S.R. itself).
2. Eastern Europe can and does produce certain processed and semi-processed materials which Communist China cannot make, e.g. aluminum, electrolytic copper, certain plastics and steels, etc.
3. The concept of strategic materials depends not only upon the intrinsic use of the commodity but also upon its relative scarcity to the economy. In other words, what is not in short supply to Eastern Europe may be and often is desperately needed by Communist China.

b. The maintenance of discriminatory controls against Communist China has a concomitant effect upon the industries and trade of Eastern Europe since these are more or less forced to provide the goods which Communist China cannot obtain from the Free World. If the CHINCOM controls should be weakened not only Communist China would benefit but the whole Soviet orbit, since Eastern Europe would be relieved of Red Chinese demands and enabled to turn production to more local benefit.

c. Forcing Communist China to turn to Eastern Europe for materials barred to them by CHINCOM controls (or to obtain these by devious means in Western Europe) puts a very serious strain on existing means of transport.

1. The only overland route of consequence, the Trans Siberian RR, is already heavily burdened with military equipment moving from the U.S.S.R., as the main Red Chinese source of supply.
2. The Polish-Chinese shipping line out of Gdynia, because of its antiquated ships as well as insufficient bottoms, clearly is unsatisfactory in meeting Communist China's transport demands. (Vis., the evidence of repeated efforts of Communist China to buy or charter additional ships from Hong Kong, Great Britain, Finland, and Sweden)

## d. Bankering

-3-

d. Bunkering controls in the Far East have compounded this strain by reducing cargoes of Communist-bloc ships because of the necessity of these ships to carry extra loads of bunker oil between Europe and the Chinese coast. (Of course bunkering and other shipping controls of the Free World also prevent use of non-Communist ships for carrying strategic materials to Communist China).

e. Inadequacy and irregularity of transport resulting from previously described "pressures" undoubtedly impedes production schedules and, thus the planned rhythm of Communist China industrial development.

f. The combined effect of the CHINCOM and related controls has demonstrably caused Communist China heavy additional cost to obtain desired strategic materials from Europe, including those obtained surreptitiously from Western nations. Such abnormal costs have not only reduced the capability of Communist China to purchase abroad, but have also forced greater domestic strain to produce the necessary "surpluses" of raw materials as counterparts for the imports.

### 3. Politico-economic

a. Since 1950-51 the overt expansive efforts of the Communist orbit have been concentrated in East and Southeast Asia (Korea, Formosa, Indochina, the Malayan "bandits", etc.). To the same extent that accepted military strategy justifies the heavy mobilization of forces to contain and eventually envelope break-throughs of enemy forces, our more stringent controls directed against Communist China can be justified as necessary to meet the more immediate danger.

b. In the present stage of political and economical development of Communist China it can be argued that the pressure of Communist demands upon the Chinese people is not far from the peak. Disregarding such weapons as propaganda, small-scale sabotage, etc., which can have no more than a limited effect, the only major action, short of war, that America and its allies can press against the Communist China regime which might contribute to internal upheaval and dislodging the Communists is that of economic blockade. Accepting that thesis, it can be argued that reducing the level of CHINCOM controls would result in weakening the best weapon available to the Free World at present.

2.(b) To the extent such differential controls are maintained, what should the U. S. do to minimize their frustration?

This question is interpreted to mean "what should the U.S. do to

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SECRET

SECRET

Approved For Release 2002/09/03 : CIA-RDP63-00084A000100020026-6

-4-

minimize frustration of CHINCOM controls in view of loopholes created by the differences between these controls and those of ~~ECOCOM~~ for Communist Eastern Europe?"

Some suggestions are as follows:

1. Endeavor to obtain legislation and/or regulations to prevent the bunkering by coal in the Far East of ships carrying strategic materials to Communist China and North Korea (including prevention of bunkering on the return trip).
2. Seek British cooperation in extending their present bunkering controls in the Far East to prohibit bunkering to ships carrying strategic materials to all Communist-controlled countries in that area (including Soviet Siberia which is now exempted) as well as to prohibit bunkering of such ships on the return voyages from such countries, in line with our own bunkering controls.
3. Through CHINCOM and other forums seek to prevent the sale or chartering of ships to Communist China or its agents in order to maintain possibilities of transport of strategic materials from Europe to Communist China at lowest levels.
4. Maintain close monthly statistical watch in ECOCOM/CHINCOM on the volume of shipments of CHINCOM strategic materials not banned for sale to the European Soviet bloc (which for brevity we may term "loophole goods") so that when the cumulative level of such shipments reaches an abnormal point CHINCOM may recommend suspension of shipments for the remainder of the year.
5. Request U.K. to modify the present Prohibited Cargo List governing voyage licensing to include all China Embargo List items destined or consigned to (as opposed to "offloaded in") Far East Communist countries.

The following measures are offered for the record, it being understood that considerable exploration of means and methods would be required to achieve them:

6. Transaction controls could be placed over the financing of all China Embargo List items in order to disrupt transactions involving indirect shipment of "loophole goods".
7. The cooperation of Western insurance and re-insurance companies would be sought (coupled with any necessary governmental action for legal relief) to refuse to pay claims on any shipments of China Embargo List items unless properly licensed for export to Communist China.

2.(c) Must

SECRET

Approved For Release 2002/09/03 : CIA-RDP63-00084A000100020026-6

SECRET

-5-

- 2.(c) Must participation in the Free World controls be generally uniform, or can special latitude be allowed one or more countries under special circumstances (i.e., Ceylon re rubber, Japan vis-a-vis Communist China, Germany re interzonal trade, etc.)?

It is obvious that uniformity of participation in Free World controls must be a prime objective if the maximum of achievement is desired from economic defense measures. While deviation from such uniformity and non-participation in controls (by "neutrals" such as India) cannot be entirely avoided particularly in the case of countries not participating in COCOM/CHINCOM, it would seem that U.S. policy should oppose "special latitude" except in the rare case in which the Free World country can meet two major criteria:

1. Preponderant evidence must be available that failure to export strategic materials to the Soviet bloc, or a portion thereof, would materially damage the economy of the country concerned.
2. Permitted exports of strategic materials to the Soviet bloc must not be in such volume as to effectively defeat the purpose of COCOM/CHINCOM controls.

It is debatable whether any of examples cited by the question would satisfy these criteria and the case of Battle Act violations is another matter, since punitive action to withdraw aid in the event of violations is a matter of law.

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Impact on Soviet Bloc of Free World Embargoes on Imports  
and Financial Transactions

Outline of Proposed Study by Commerce for  
Dodge Committee Drafting Group

- I. Outline history of trade relations of Soviet Bloc land-population mass with rest of world.
  1. Historical isolationism of Russia and China
  2. Opening of intercourse with Europe and U. S.
  3. Variant levels of Soviet Bloc economies and cultures
- II. Significance of Soviet Bloc foreign trade in Current Soviet Bloc economy.
  1. Ratio between intra and extra-bloc trade
  2. Function of economic intercourse with Free World
  3. Capacity for self-containment of Soviet Bloc; economic self-sufficiency.
- III. Current Results of Multilateral and U.S. Economic Defense Controls (all forms) on Bloc
  1. Effect on procurement requirements and economic development
  2. Effect on exchange reserves
  3. Effect on trade orientation of Bloc
- IV. Enforceability of Embargo
  1. Impact of embargo on economies of embargoing countries
  2. Economic dislocations arising from embargo
  3. Assessment of probable degree of effective compliance and cooperation in applying embargo.
- V. Effect of Embargo on Soviet Bloc Economy at Assumed Levels of Compliance and Cooperation
  1. Effect on procurement requirements and economic development
  2. Effect on exchange reserves
  3. Effect on general level and pattern of East-West trade
    - (a) Effect of reduced export earnings on total Bloc procurement from Free World
    - (b) Effect of reduced earnings in terms of procurement of selected goods from Free World.

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**MEMORANDUM**

**To:** Chairman, Steering Committee,  
Task Force on Economic Defense Policy

**From:** Chairman, Drafting Group,  
Task Force on Economic Defense Policy

**Subject:** Progress Report to Council on Foreign Economic Policy

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At the April 5th meeting of the CFEP, at which the Steering Committee's Interim Report on the Review of Economic Defense Policy was approved, [ ] requested that progress reports on the review be submitted to the CFEP at appropriate intervals (every 30 days was one of the intervals he suggested). In accordance with this request, The Drafting Group has drafted the attached Progress Report, dated May 1, 1955, which it is recommended the Steering Group consider for transmittal to the CFEP. Unless the Steering Committee should wish otherwise, the Drafting Group would plan on preparing and presenting a subsequent progress report under date of June 1, 1955.

**SECRET**



**MEMORANDUM**

**To: The Council on Foreign Economic Policy**  
**From: Chairman, Steering Committee,**  
**Task Force on Economic Defense Policy**  
**Subject: Progress Report on Review of Economic Defense Policy**

There is submitted herewith, simply for the Council's information, a brief progress report on the current review of economic defense policy. The report indicates the status of the review as of May 1, 1955, and it is planned subsequently to submit a similar report to the Council under date of June 1, 1955.

**May 6, 1955**

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PROGRESS REPORT ON REVIEW OF ECONOMIC DEFENSE POLICY

Following the Council's approval on April 5, 1955, of the Steering Committee's Interim Report, containing the outline of assignment for the review of policy, a subordinate Drafting Group has been working intensively on the review. A brief account of the progress of this work as of May 1, 1955, is as follows:

Consideration has been, and is still being given to the pertinent intelligence materials available as background data, and certain important research projects have been instituted. In particular, State and CIA have undertaken to prepare a staff study evaluating the significance and impact of the existing selective export controls and exploring possible alternative criteria or methods for formulating a selective list. Additional intelligence studies have been instituted, some by other agencies, covering a number of subjects, including the significance of agricultural exports to the Soviet bloc and an evaluation of past and prospective commercial and financial relationships between the U.S. and Communist China. Before the various projects were undertaken, outlines of them were presented to and discussed in the Drafting Group. It is hoped that these various intelligence papers will be available for the Drafting Group's consideration by the end of May.

In addition to these intelligence background papers, a number of important staff studies are now in process of preparation or are about to be begun. Key questions to be covered in the review, and upon which separate staff studies were felt to be required, were

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SECRET

-2-

formulated by the Drafting Group. Then, in a series of meetings, the Drafting Group, augmented by experts from the various agencies, has discussed these topics with the purpose of developing subsidiary questions and of clarifying the areas of agreement and disagreement. On the basis of these discussions, assignments have been and are being made to individuals or agencies to prepare, first, outlines of studies for further discussion and comment, and second, initial drafts of the staff studies themselves. It is contemplated that this preliminary discussion phase of the work will be completed before the middle of May, and that the staff studies will be written, and their revisions substantially agreed to between the members of the Drafting Group, by the end of May.

If the above-indicated time schedule can be met, the Drafting Group will have the month of June during which to evaluate the staff studies and intelligence reports, reappraise existing policies in the light of these new materials and draft a revised statement of policy, with such alternatives as may seem appropriate for recommendation.

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TO: Drafting Group

FROM: Commerce Member

SUBJECT: Economic Significance of Past China Trade and Investment and  
China Trade and Investment Potential to U.S.

Attached is an outline entitled Economic Significance of Past China Trade and China Trade and Investment Potential to U.S. This study has already been under way in the Department of Commerce, and it is believed that it can be usefully fitted into the scheme of analyses required for the Council on Foreign Economic Policy. If the Drafting Group agrees as to the general usefulness of this project for its purposes Commerce would welcome suggestions as to possible modifications of the outline.

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OUTLINE

Economic Significance of Past China Trade and China Trade and Investment Potential to U.S.

A. Past Pattern and Significance.

1. Origin and Historical Development of U.S.-China Trade Relationship.
2. Total value/volume of U.S.-China trade, and by principal commodity groups and selected commodities, both imports and exports, for representative pre-World War II year (1937) and post-World War II year (1948).
3. Percent of total U.S. import and export trade for above periods.
4. Percent of total U.S. import and export trade for selected commodities or commodity groups, e.g., bristles, dyestuffs.
5. Significance of China to U.S. as source of supply and market for selected commodities.
6. Significance of Past U.S. Portfolio and Equity Investment in China as Outlet for U.S. Capital and in Facilitation of U.S.-China Trade.

B. Present Potential and Significance in the Short Run.

1. Estimate of U.S. import potential by value/volume for selected Chinese commodities, on assumption of suspension of U.S. import embargo on Chinese goods.
2. Estimate of U.S. export potential to China by value/volume on assumption of U.S. controls and policies equivalent to those directed by U.S. toward U.S.S.R. and Eastern European satellites, and full U.S. availability.

The above estimates should be developed in the light of the following factors:

- (a) As to the U.S. import market - changed preferences, new needs, substitutes, new sources of supply, exhausted inventories.
- (b) Chinese availabilities of export products -- production, export restrictions, presumption by Soviet Bloc, commitments under trade agreements etc.

SECRET

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- 2 -

- (c) Chinese import requirements and limitations -- economic development programs, availability of foreign exchange, import restrictions, import priorities, commitments under trade agreements, intra-Soviet Bloc trade orientation etc.
  - (d) Price, delivery, and payment factors.
  - (e) Chinese communist trading practices.
  - (f) Non-Existent or limited diplomatic and consular services, commercial travel limitations, highly restrictive commercial laws and regulations, limited commercial facilities in fields of banking, insurance, inspection, testing, legal recourse etc.
  - (g) China's current trade pattern.
3. Significance of above-estimated trade potential in terms of proportion of total U.S. export and import trade, of sources of supply and markets for selected commodities.
4. Foreseeable Potential for U.S. Capital Investment in China and Significance to U.S.-China Trade Development.
- C. Long Range Potential for U.S.-China Trade and U.S. Capital Investment in China and Significance.

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Outline  
Draft #3, 4/29/55

USE OF INDUCEMENTS OR PRESSURES ON FREE WORLD COUNTRIES  
IN SUPPORT OF THE U. S. ECONOMIC DEFENSE PROGRAM

- A. Subject
- B. Techniques
  - I. Inducements
  - II. Pressures
- C. Criteria
- D. Evaluation
- E. Courses of Action

A. Subject - State purpose of the paper - to determine the value to the economic defense program of these techniques. Explain that a number of the techniques listed separately as inducements or pressures actually shade into each other. These are shown separately to group the carrots together, likewise the sticks even though some of the sticks may be considered withholding of carrots.

B. Techniques

I. Inducements

a. Country wide

1. Financial aids and grants

List examples of FCA grants, loans and credits extended  
in support of the Economic Defense Program

(FCA) 1/

2. Technical assistance.

Examples of "Point 4 Aid" including reference to particular  
technical missions

(FCA)

1/ The agencies indicated should supply the requested  
explanations and illustrations.

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3. Increasing stockpile procurement.

Examples such as possibly increasing purchases of copper and  
chromium from Turkey in return for agreement to withhold

knows from the Bloc

(DIA & CIA)

4. Off-shore procurement.

(1) Examples of U.S. financing and purchases of materials  
and equipment to be furnished to third countries

(Locomotives from Germany for India)

(FOA)

(11) Large scale local purchases of supplies for U.S.  
armed forces abroad.

(Def.)

5. Establishing U.S. military bases and resulting economic  
gains. Cite Mo. Africa, Germany, UK, Spain, etc. Some  
estimate of economic gain to the particular country.

(Def.)

6. U. S. surplus disposal - military material.

Illustrations of several specific programs

(Def. and State)

7. U. S. agricultural surplus.

Examples of attractive offerings or gifts to particular  
countries such as grain to India.

(Agriculture)

8. Health and sanitation programs.

Gamma Globulin, Antibiotics, Salk Vaccine, etc.  
Anti malarial campaigns.

(Public Health,  
DHS, FOA)

9. Disaster relief.

Examples

(State)

10. Increasing availability of items under short supply  
control.

Examples

(Commerce)

11. Mutual Defense Treaties (State)

1. Financial aids and grants

Examples

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(FOA - Export-)



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**2. Technical assistance**

**Examples**

**(FOIA)**

**3. Increasing stockpile procurement**

**Examples**

**(FOIA)**

**4. Off-shore procurement.**

**Examples similar to (a) (4) above**

**(FOIA - Def.)**

**5. Establishing U. S. military bases**

**(Def.)**

**II. Procedures.**

**a. Country wide**

**1. Curtailment or withdrawal of U.S. aid**

**Brief explanation re battle lost and illustrations** **(FOIA/MDAC)**

**2. Country-wide withholding of export licenses for specific commodities (FD 810).**

**Examples**

**(Comares)**

**3. Reducing availability of short supply items.**

**Examples**

**(Comares)**

**4. Restricting availability of technical data**

**Examples**

**(Comares)**

**5. Dumping U.S. agricultural surpluses in the normal export markets of the country to be pressured.**

**Examples, if any, or brief statement on such an activity**

**if no examples**

**(Agriculture & MDAC)**

**6. Multilateral action to force concurrence.**

**Examples - such as approaches to UK and Italy to withhold supplies from Ceylon**

**(MDAC - State)**

**7. Reducing stockpile purchases.**

**Examples**

**(MDAC & CIA)**

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1. Curtailment or withdrawal of U. S. aid  
 Examples (PCA & Export-Import Bank)
2. Withholding export licenses  
 Examples (Commerce)
3. Reducing availability of short supply items  
 Examples (Commerce)
4. Withholding technical data  
 Examples (Commerce)
5. Reducing stockpile purchases  
 Examples (NDAC & CIA)
6. Freezing of foreign dollar assets  
 Explain and illustrate (Treasury)
7. Denial of U.S. visas  
 Explain and illustrate (State)
8. Action comprising one or all of the above under the administrative action program of all the agencies.  
 Examples (Commerce)
9. Foreign exchange  
 Explain and illustrate (State)
10. Treasury overseas Banking Regulations  
 Explain and illustrate (Treasury)
11. Proclaimed nationals list  
 Explain (Commerce)

C. Criteria.

The criteria below relate solely to the economic defense program and in no way imply that what are described as "instruments" should not be extended completely apart from such program. However, to the extent that they are

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be used in support of the defense program, such a tie-in would appear desirable.

1. The point at issue is sufficiently important to require the use of one or more of these techniques.
2. Their use will be effective.
3. If choice is possible between use of instruments or pressures, preferable to use instruments.
4. Instruments of high cost to U.S. to be employed only after careful study that the objective cannot otherwise be attained by means such as mild pressures.
5. Do past results justify continued or expanded use of the particular technique?

**D. Evaluation.**

Comments on the relative effectiveness of the several techniques and development of a program for the selection of the appropriate techniques in any given situation by the particular agency responsible or by an inter-agency committee where appropriate.

Separate evaluation should be made of currently employed techniques and those not in use.

**E. Courses of action.**

1. Develop recommendations with respect to currently employed techniques as to the : (a) continuation, (b) expansion, (c) curtailment or (d) abandonment of any of these and the basis for the recommendation.
2. With respect to any techniques not presently in use, make recommendations for adoption and the basis therefor or why the new instruments are considered undesirable.

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7. How should the U.S. attempt to advance the degree of unity in, and the effectiveness of, the multilateral organization concerned with security trade controls?

Many difficulties confronting the U.S. and other countries associated in the CG structure for the past two years would have been avoided had there existed an agreed philosophy or justification for a reasonably high level of controls against which individual problems could be assessed. The authority of this "philosophy" would depend on its success in relating the objectives of trade controls to the military, political, economic, psychological, and moral aims of the Free World in a manner which would make it possible for cooperating governments to explain its purposes simply and convincingly to dissident interests within their countries.

With such an over-all concept to govern CG operations, its week-to-week problems would largely be technical. Instead, conflicting philosophies regarding controls currently enter into almost every problem making their solution that much more difficult. The following questions should be answered in order to indicate how such a doctrine may best be achieved:

- A. What attempts have been made in the past to obtain such an agreed doctrine? What difficulties have been encountered, and why?
- B. What are the possibilities of obtaining CG agreement to a governing doctrine which would be satisfactory to the U.S. at the present time?
- C. Are there any other already operating philosophies which might be applicable to the CG structure which have been agreed to multilaterally by approximately the same group of countries?
- D. If "C" can be answered in the affirmative, how could the CG structure be brought within these governing bodies in order to have the desired doctrine govern its activities?

**SECRET**

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AT/WR - 5/3/55

ACCOMPLISHMENTS OF CONSULTATIVE GROUP

1. Creation and maintenance of basic organizations (CG, COCOM, CHINCOM) and staff for institution, maintenance and review of security export controls by 16 major trading nations of free world toward Communist Bloc.

Comment: This informal organization, effective in 1950, was precedent-shattering. It marshalled a major, collective effort on the part of the free world in restraining exports which would build up Bloc war potential. It enabled individual governments to support their actions on basis of united, concerted judgment of the group. In view of the obstacles which had to be overcome, this achievement was quite significant.

This is not to say, however, that the accomplishment is fully successful or fully effective. While it may not accomplish all that is desired, it is a vast advancement over what would have been the situation in its absence.

2. Establishment and maintenance of uniform controls, cooperatively arrived at, covering basic policies, principles, and criteria to govern security export controls. Forum for exchange of information on commodity and economic intelligence.

Comment: Similar to above.

3. Establishment and continuation of basic lists of strategic commodities to be controlled by cooperating governments to Communist Bloc, i.e., Atomic Energy, Munitions, I/L I, II, III vis-a-vis European Soviet Bloc; CHINCOM list for Communist China.

Comment: Similar comment. Originally, COCOM list was fashioned on basis of Anglo-French list. It has been expanded in times of emergency and greater international tension; relaxed at other times.

4. Establishment and maintenance of enforcement measures and controls.

Comment: Include IC/DV, TAG, Transaction Controls, Anti-Diversion Arrangements. These are not all we desire, but are better than nothing and tend to do a job which is somewhat effective. Improvement would be helpful in control of technical data and parts, and initiation of administrative sanctions by EC's which do not now have these.

5. Recent revision (August 26, 1954) of International COCOM lists.

Comment: Demonstrated resiliency of cooperative effort to changing situations and developments in world affairs. Disadvantageous from our viewpoint in that knife may have cut deeper than desired, although some other governments feel the contrary is true.

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- 2 -

Approved For Release 2002/09/03 : CIA-RDP63-00084A000100020026-6

# BASIC DIFFERENTIALS WITH ILM 2.2.1 IN C

1. Commercial interests vs. security interests.

In 1950, after USSR had taken over Czechoslovakia, repudiated many of its international commitments, and the Communist Bloc had shown its intentions in the Far East, it was easier for the U.S. to get free world governments to accept security objectives. As international tension has ebbed, and governments and peoples have become somewhat inured to Communist tactics, there has been a resurgence of commercial and trade interests by cooperating nations which had never completely abandoned their hopes for resumption and promotion of East-West trade. Although these trade hopes may be illusory and futile, their public opinion requires apparently that the basic assumption be tested in the light of experience.

2. Objective of minimum trade restraints related only to military items vs. objective of denying strategic goods to Bloc, and preventing and retarding Bloc build-up of war potential.

This represents the difference between the attitudes of most PCs (i.e., that controls should be limited to commodities which are directly military or relate directly and importantly to military capability of Rlos) and the desire of the United States (i.e., not to give the Rlos access to strategic goods which would build up or promote its war potential, including military and military-supporting areas, whether now or in the future). This difference is most clearly expressed in the differing views on the interpretation of the criteria used to determine strategic importance.

3. China level of controls vs. European Soviet Bloc level of controls.

While the lid has not yet blown off on this (due mostly perhaps to the U.S. prisoners held by Communist China and the hassle regarding Formosa), the explosion might occur at any time. Considerable latent pressure in many COCOM nations exists for reduction of current controls toward Communist China, with a good many advocating or ready to advocate that the entire Communist Bloc should be treated the same.

4. Problems arising from special country situations and geographical groupings.

Special country problems are illustrated by the West Germany international trade situation, and the Japanese pressure for resumption of trade with China. The former has political overtones in that West Germany is reluctant to concede permanent division of its country. The latter has more of an economic overtone, based on Japan's foreign exchange imbalance, which that Government would hope to overcome substantially by trading with China.

All PCs, except Turkey, Greece, and Japan, are members of NATO or the so-called Western Alliance in Europe. Except for Japan, all PCs are European nations. Some differences arise from these groupings (NATO vs. Non-NATO, and Europe vs. Asia). Originally, possibility of a Western COCOM and an Eastern COCOM was considered less desirable than one unified organization. May be that further reflection should be had on this.

5. Attitudes of governments as exhibited in their approach to problems.

An apparent attitude of indifference exists on the part of some PCs, giving rise to a reluctance to provide permanent delegations in Paris, to provide adequate technical support for reviewing commodity problems.

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**CONFIDENTIAL**

- 3 -

Approved For Release 2002/09/03 : CIA-RDP63-00084A000100020026-6

and to afford fullest cooperation in achievement of objectives. These governments tend to watch carefully developments which would affect their own trade, commerce and economy - with scant or indifferent attention to remaining problems. On the other hand, the U.S. has been stellar example of leader, advocating objective attitude toward true security export controls, and has supplied most of the technical review and advice, and in most instances has had to initiate recommendations. To the extent that a case for establishing commodity controls rests on intelligence presentations sufficient to overcome presumption against control, the failure of other PCs to assist in marshalling available intelligence places U.S. at some disadvantage.

6. Rule of Unanimity.

CG/COCOM/CHINCOM operate under a rule of unanimity. This affords one PC an opportunity to negate institution of controls which may be considered desirable by all others. Without this rule, however, it may not have been possible to establish or continue CG, because it would have been repugnant to the sovereignty of the cooperating governments. In this respect, it is not clear that the U.S., for its part, would be able to abandon the right of making its own decisions in CG either.

7. Trade as an alleviator of tensions.

Some nations hopefully believe that expansion of trade is the best means of alleviating tensions between the East and West. Others hold that this is not true; that Communist trade is merely a weapon to be used to accomplish their grand design.

8. Evaluation of the threat.

Underlying all other differences is the basic variation in opinion on the character of the threat posed by the Communist Bloc.

9. U.S. commercial policy as a deterrent to expanded international controls.

There is a rather widespread feeling in Europe that the U.S. is not doing its part to provide markets or otherwise compensate for goods not to be shipped to the Bloc. (Buy American Act, Tariff laws, carriage in U.S. bottoms.)

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